



Suzanne Henderson

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

**NO SURFACE USE OIL AND GAS LEASE
(Paid-Up Lease)**

This Oil and Gas Lease (this "Lease") is made on October 7th, 2008 between the Lessor(s) set forth on **Schedule I** attached hereto and whose address is **30 7th Street East, Suite 1300, Saint Paul, Minnesota 55101** and **Vargas Energy, Ltd.,** (hereafter called "Lessee"), whose address is **4200 S. Hulen, Suite 614, Fort Worth, Texas, 76109.**

1. Grant. In consideration of Ten Dollars and other consideration in hand paid, Lessor grants and leases exclusively unto Lessee the following described land (the "Land") in Tarrant County, Texas, for the sole purpose of exploring, drilling, and producing oil and gas to produce, save, treat, process, store, and transport oil and gas and other products manufactured from oil and gas produced from the Land:

Being 2.494 acres of land, more or less, Lot 1B2, RIVER HILLS PHASE II ADDITION, an Addition to the City of Fort Worth, Tarrant County, Texas, according to the Corrected Replat thereof, recorded in Cabinet A, Slide(s) 9609 of the Plat Records of Tarrant County, Texas and being those same lands more particularly described in a Special Warranty Deed dated March 30th, 2001 from ARAMARK Educational Resources, Inc., a Delaware corporation to AEI Fund Management XVII, Inc., recorded as Instrument No. D201068352, Deed Records, Tarrant County, Texas and amendments thereof, including streets, easements and alleyways adjacent thereto, and any riparian rights.

2. Mother Hubbard Clause. This lease also covers and includes all land owned or claimed by Lessor adjacent or contiguous to the land particularly described above, whether the same be in said survey or surveys or in adjacent surveys, although not included with the boundaries of the land particularly described above, including the minerals owned by Lessor located in streets, roads, alleys, easements and rights of way adjacent of Lessor's lands described above.

3. Primary Term. This Lease is for a term of three years from this date (called "Primary Term") and as long thereafter as oil or gas is produced in paying quantities from the Land or land pooled therewith or operations are being conducted on land pooled therewith as provided herein.

4. Minerals Covered. This Lease covers only oil and gas. The term "oil and gas" means oil, gas, and other liquid and gaseous hydrocarbons produced through a well bore.

5. Royalty.

(a) As royalties, Lessee agrees:

(1) To deliver free of cost to Lessor at the wells or to the credit of Lessor at the pipeline to which the wells may be connected, 25% (the "Royalty Fraction") of all oil and other liquid hydrocarbons produced and saved from the Land. At Lessor's option, which may be exercised from time to time, Lessee shall pay to Lessor the same part of the market value at the well of oil and other liquid hydrocarbons of like grade and gravity prevailing on the day the oil and other hydrocarbons are run from the Lease in the general area in which the Land is located.

(2) To pay Lessor for gas, including all gases, liquid hydrocarbons and their respective constituent elements, casinghead gas, or other gaseous substance produced from the land and sold at points of sale on or off the premises, the Royalty Fraction of the net proceeds derived from such sale calculated at the well. Lessee shall have free use of all gas produced from the Land for all operations hereunder.

(b) Lessor's royalty shall be determined and delivered to Lessor free of any development, production, compression, processing, treating, gathering, transportation, delivery, marketing, or other post-production costs with the exception of third party charges under a gas contract, but Lessor's royalty will bear its proportionate share of all severance and production taxes. Third party charges may not be charges assessed by Lessee, its successors and assigns, or any affiliated entities.

(c) The receipt by Lessee from a purchaser or a pipeline company of proceeds of production for distribution to Lessor will not result in Lessee acquiring legal or equitable title to those proceeds, but Lessee will at all time hold the proceeds in trust for the benefit of Lessor. Notwithstanding the insolvency, bankruptcy, or other business failure of a purchaser of production from the Land or pipeline company transporting production from the Land, Lessee will remain liable for payment to Lessor for, and agrees to pay Lessor all royalties due Lessor together with interest if not timely paid.

6. Operations.

(a) If, at the expiration of the Primary Term, oil or gas is not being produced from the Land, but Lessee has commenced operations for the drilling of a well on lands pooled therewith only, the Lease will not terminate but will remain in effect for so long thereafter as operations are carried out with no cessation of more than 120 consecutive days, and if the operations result in the production of oil or gas, the Lease shall remain in force as otherwise provided herein. For the purposes of this Lease, the term "operations" means operations for any of the following: preparation for and/or drilling, testing, completing, reworking, fracing, recompleting, deepening, plugging back, or repairing of a well in search of or in the endeavor to obtain, maintain, re-establish or enhance production of oil or gas with no cessation of more than 120 consecutive days.

(b) If after the expiration of the primary term production from any well shall cease for any cause, Lessee shall have 120 days from the cessation of production to commence, and thereafter prosecute drilling or reworking operations in a good faith attempt to restore production from lands pooled therewith only, with no cessation of more than 120 consecutive days, and if such operations result in production, this lease shall continue for so long as production in paying quantities continues or the lease is otherwise maintained in force.

(c) As a result of land development in the vicinity of the Land, governmental rules or ordinances regarding well sites, and/or surface restrictions as may be set forth in this Lease and/or other leases in the vicinity, surface locations for well sites in the vicinity may be limited and Lessee may encounter difficulty securing surface location(s) for drilling, reworking or other operations. Therefore, since drilling, reworking or other operations are either restricted or not allowed on the Land or other leases in the vicinity, it is agreed that any such operations conducted at a surface location off of the Land or off of lands with which Land is pooled in accordance with this Lease, provided that such operations are associated with a directional well for the purpose of drilling, reworking, producing or other operations under the Land or lands pooled therewith, shall for purposes of this Lease be deemed operations conducted on the Land. Nothing contained in this paragraph is intended to modify any surface restrictions or pooling provisions or restrictions contained in this Lease, except as expressly stated.

7. Surface Use. Except for seismic surveys, Lessee is prohibited from using the surface of the Land for any purpose, but Lessee may engage in directional drilling activities beneath the Land that are conducted on the surface of other land. Any directional drilling must penetrate the Land sufficiently below the surface as to not interfere with the present or future use of the surface of the Land for commercial or residential use, and

in no event may the directional drilling penetrate the Land less than 200 feet below the surface. A directional well drilled under this provision shall be considered to be located on the Land. Lessee may conduct seismic surveys using the surface of the land, but shall pay Lessor for any damages to Lessor's property and improvements caused by the survey. Seismic surveys, if any, may not interfere with normal business operations of the Lessor and/or its tenant(s).

8. Shut-in Royalty. At any time after the primary term, while there is a gas well on acreage pooled therewith capable of producing gas in paying quantities, but gas is not being sold, and this lease is not otherwise being maintained in full force and effect, Lessee shall pay or tender, as royalty, in advance an annual shut-in royalty of an amount equal to \$10 per acre covered by this Lease. Payment with respect to a well will be due within 180 days after (a) the well is shut-in or (b) the end of the primary term, whichever is the later date. All subsequent Shut-In Royalty payments will be due on or before the anniversary date of the date of the first Shut-In Royalty payment. While shut-in royalty payments are timely and properly paid, this Lease will be deemed to be held as a producing lease. The obligation of Lessee to pay shut-in royalty is a covenant and not a condition and, if Lessee, for any reason, should fail to make a shut-in royalty payment on or before its due date, Lessor shall notify Lessee in writing of such failure and this Lease shall not terminate as a result of Lessee's failure to make a shut-in royalty payment unless Lessee fails to make such shut-in royalty payment within 60 days from the receipt of written notice from Lessor. The payment or tender of royalty under this paragraph may be made by the check of Lessee mailed or delivered to the parties entitled thereto on or before the due date. Notwithstanding anything to the contrary contained in this lease, at the option of Lessee, which may be exercised by Lessee giving notice to Lessor, a well which has been drilled and Lessee intends to frac shall be deemed a well capable of producing in paying quantities and the date such well is shut-in shall be when the drilling operations are completed.

9. Pooling. Lessee shall have the right to pool, as to any one or more formations, the Land with other land or leases in the vicinity thereof, to form pooled units for the production of oil and gas or either of them. Units pooled for oil shall not exceed 40 acres, plus a tolerance of 10%, and units for gas shall not exceed 320 acres, plus a tolerance of 10%, provided that if a governmental authority having jurisdiction prescribes or permits a unit for the drilling or operation of a well to be larger than those specified hereunder, units created thereafter may conform substantially in size to those prescribed or permitted by the governmental authority. If the well is a Horizontal Well, as defined in the Rules of the Texas Railroad Commission, the unit may contain the additional acreage permitted by Rule 86 of the Texas Railroad Commission. The unit will become effective when Lessee files in the Real Property Records of the county where the Land is located a document describing the pooled acreage and depths for the pooled unit. Lessee will deliver a copy of the document creating the unit to Lessor. Lessee may at its election exercise its pooling option before or after commencing operations. Operations for drilling on or production of oil or gas from any part of a pooled unit that includes land covered by this Lease shall be considered as operations on or production of oil or gas from the portion of the Land included in the pooled unit. There shall be allocated to the Land included in the unit that prorated portion of the oil and gas, or either of them, gas produced from the pooled unit that the number of surface acres of the Land included in the unit bears to the total number of surface acres included in the unit. Royalties shall be computed on the portion of production allocated to the Land.

10. Force Majeure. Should Lessee be prevented by reason of Force Majeure from complying with any express or implied covenant of this Lease (other than a requirement to pay money), from conducting drilling or reworking operations on the Land, or from producing oil or gas, then while so prevented, that covenant will be suspended; Lessee will not be liable for damages for failure to comply therewith; this Lease will be extended so long as Lessee is prevented from conducting drilling or reworking operations on or from producing oil or gas from the Land; and the time while Lessee is so prevented will not be counted against Lessee. "Force Majeure" means any Act of God, any federal or state law, scarcity of drilling rigs or other equipment, inability to obtain a drilling permit, any rule or regulation of governmental authority, or other similar cause (other than financial reasons).

11. Warranties. Lessor warrants title to the Land by, through and under Lessor, but not otherwise. If Lessor owns an interest in the Land less than the fee simple estate, then the royalties payable hereunder will be reduced proportionately. All royalty interest covered by this lease, whether or not owned by Lessor, shall be paid out of the royalty herein provided. Lessor's rights and interests hereunder shall be charged with any mortgages, taxes or other liens or interests against the Land, but Lessor agrees that Lessee shall have the right at any time to pay or reduce same for Lessor, either before or after maturity, and Lessee shall be subrogated to the rights of the holder thereof and authorized to deduct all amounts so paid from royalties or other payments which may become payable to Lessor and/or its successors and assigns under this Lease.

12. Notices. All notices will be deemed given and reports will be deemed delivered if sent by certified letter, return receipt requested, properly addressed and deposited in the United States Postal Service, postage prepaid, to Lessor and Lessee at the addresses shown above. Either party may designate a new address by proper notice to the other party.

13. Insurance. At all times while this Lease is in force, Lessee shall acquire and maintain insurance covering all of its operations on the Land, including any work performed on its behalf by contractors, subcontractors, and others. The policies shall include coverage for comprehensive general liability, for bodily injury and property damage, blowout and loss of well coverage, and coverage for any damage to the environment, including coverage for the cost of clean up and surface remediation. The coverage shall be in the minimum amount of \$5,000,000.

14. Indemnity. LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS LESSOR, AND LESSOR'S REPRESENTATIVES, SUCCESSORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE FOR NUISANCE, FOR INJURY TO OR DEATH OF PERSONS, AND FOR LOSS OR DAMAGE TO PROPERTY, OR ANY OF THEM, INCLUDING, WITHOUT LIMITATION, ATTORNEY FEES, EXPERT FEES, AND COURT COSTS, CAUSED BY OR RESULTING FROM LESSEE'S OPERATIONS OR LESSEE'S MARKETING OF PRODUCTION FROM THE LAND OR ANY VIOLATION OF ANY ENVIRONMENTAL REQUIREMENTS BY LESSEE. AS USED IN THIS PARAGRAPH, THE TERM "LESSEE" INCLUDES LESSEE, ITS AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS, AND ANY OTHER PERSON ACTING UNDER ITS DIRECTION AND CONTROL, AND ITS INDEPENDENT CONTRACTORS. LESSEE'S INDEMNITY OBLIGATIONS SURVIVE THE TERMINATION OF THIS LEASE.

15. Dispute Resolution. In the event of a dispute under this Lease, the parties agree to attempt to resolve the dispute through good faith mediation to be held in Tarrant County, Texas.

16. Miscellaneous Provisions.

(a) In the event this Lease expires for any reason as to all or any part of the Land, Lessee shall, within 60 days thereafter, furnish Lessor with a written, recordable release covering all of the Land or that portion of the Land to be released.

(b) Nothing in this Lease negates the usual implied covenants imposed upon Lessee.

(c) Lessee will conduct all operations hereunder in compliance with the rules of the Railroad Commission of Texas and federal and state environmental laws and regulations. Lessee will give Lessor at least ten days prior notice in writing before conducting seismic operation on the Land.

(d) The terms "production" and "producing" mean production and producing in paying quantities. No obligation of Lessee to pay money under this Lease will be excused or delayed by reason of Force Majeure. Lessee's obligations to pay money under this Lease are to be performed in Tarrant County, Texas. Paragraph headings are used in this Lease for convenience only and are not to be considered in the interpretation or construction of this Lease. The execution or ratification by Lessor of any division order, gas contract, or any other document will not alter any provision of this Lease unless the intent to do so is expressly stated in the document.

(e) This Lease is binding upon and for the benefit of Lessor, Lessee, and their respective heirs, personal representatives, successors, and assigns.

SCHEDULE I

<u>Lessor Parties</u>	<u>Interest</u>
Craig William Cruickshank, Trustee	11.8494%
Carolyn R. Muzzy	11.0339%
Munkberg Farms, Inc.	25.7457%
William D. Chadwick & Augusta Chadwick, Trustees	11.5856%
Emerson Hicks Mizell	11.0339%
Harold J. Sender & Corin F. Sender, Trustees	12.3579%
Sherrill L. Hossom, Trustee	11.5856%
Richard L. Gaynor and Tamma J. Gaynor	4.6342%
AEI Fund Management XVII, Inc.	0.1738%

Executed on the date first written above.

LESSOR/S:

David Louis Cruickshank, Craig William Cruickshank
**Trustee under the Trust created by the Will of Louis William Achenbach,
Tenant in Common.**

Signature

David Louis Cruickshank
David Louis Cruickshank, Trustee
Craig William Cruickshank

STATE OF _____ }
COUNTY OF _____ }

ACKNOWLEDGMENT

This instrument was acknowledged before me on the _____ day of _____,
2008 by David Louis Cruickshank, as Trustee of the Trust created by The Will of Louis
William Achenbach, Tenant in Common, on behalf of said corporation.

Notary Public in and for the State of _____

**PLEASE SEE ATTACHED
CALIFORNIA ACKNOWLEDGEMENT**

CALIFORNIA ALL-PURPOSE CERTIFICATE OF ACKNOWLEDGMENT

State of California

County of Sacramento

On OCTOBER 28, 2008 before me, Erik Echon, Notary Public
(Here insert name and title of the officer)

personally appeared CRAIG WILLIAM CRUCKSHANK

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Erik Echon
Signature of Notary Public



(Notary Seal)

ADDITIONAL OPTIONAL INFORMATION

INSTRUCTIONS FOR COMPLETING THIS FORM

Any acknowledgment completed in California must contain verbiage exactly as appears above in the notary section or a separate acknowledgment form must be properly completed and attached to that document. The only exception is if a document is to be recorded outside of California. In such instances, any alternative acknowledgment verbiage as may be printed on such a document so long as the verbiage does not require the notary to do something that is illegal for a notary in California (i.e. certifying the authorized capacity of the signer). Please check the document carefully for proper notarial wording and attach this form if required.

- State and County information must be the State and County where the document signer(s) personally appeared before the notary public for acknowledgment.
- Date of notarization must be the date that the signer(s) personally appeared which must also be the same date the acknowledgment is completed.
- The notary public must print his or her name as it appears within his or her commission followed by a comma and then your title (notary public).
- Print the name(s) of document signer(s) who personally appear at the time of notarization.
- Indicate the correct singular or plural forms by crossing off incorrect forms (i.e. he/she/they - is/are) or circling the correct forms. Failure to correctly indicate this information may lead to rejection of document recording.
- The notary seal impression must be clear and photographically reproducible. Impression must not cover text or lines. If seal impression smudges, re-seal if a sufficient area permits, otherwise complete a different acknowledgment form.
- Signature of the notary public must match the signature on file with the office of the county clerk.
 - ❖ Additional information is not required but could help to ensure this acknowledgment is not misused or attached to a different document.
 - ❖ Indicate title or type of attached document, number of pages and date.
 - ❖ Indicate the capacity claimed by the signer. If the claimed capacity is a corporate officer, indicate the title (i.e. CEO, CFO, Secretary).
- Securely attach this document to the signed document

DESCRIPTION OF THE ATTACHED DOCUMENT

NO SURFACE USE OIL AND

(Title or description of attached document)

GAS LEASE (PAID UP LEASE)

(Title or description of attached document continued)

Number of Pages: 17 Document Date 10/28/08

N/A

(Additional information)

CAPACITY CLAIMED BY THE SIGNER

- ☒ Individual (s)
☐ Corporate Officer

(Title)

- ☐ Partner(s)
☐ Attorney-in-Fact
☐ Trustee(s)
☐ Other _____

Executed on the date first written above.

LESSOR/S:

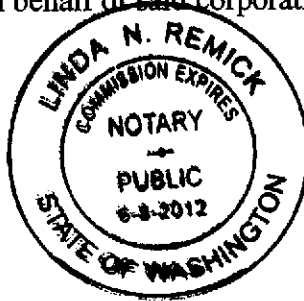
**Sherrill L. Hossom, as Trustee of the Sherrill L. Hossom Family Trust,
Tenant in Common.**

Signature: Sherrill L. Hossom TTEE
Sherrill L. Hossom, Trustee

STATE OF Washington }
COUNTY OF Snohomish }

ACKNOWLEDGMENT

This instrument was acknowledged before me on the 5th day of October,
2008 by Sherrill L. Hossom, as Trustee of the Sherrill L. Hossom Family Trust, Tenant in
Common, on behalf of said corporation.



Linda N. Remick
Notary Public in and for the State of Washington

(e) This Lease is binding upon and for the benefit of Lessor, Lessee, and their respective heirs, personal representatives, successors, and assigns.

Executed on the date first written above.

LESSOR:

William D. Chadwick and Augusta Chadwick, Trustees
or their successors in Trust, under the Chadwick Living
Trust dated 12/16/98, as tenant in common

By: William D. Chadwick

By: Augusta Chadwick
Augusta Chadwick, Sole Surviving Trustee

~~LESSEE:~~

~~VARCAS ENERGY, LTD.~~

~~By Plover Production Company, LLC, its sole General
Partner~~

~~By: Crawford Edwards, President~~

~~LESSEE SIGNATURE ON LAST PAGE~~

[Notary acknowledgments on next page.]

Executed on the date first written above.

LESSOR/S:

**Emerson Hicks Mizell,
Tenant in Common.**

Signature: Emerson Hicks Mizell
Emerson Hicks Mizell

STATE OF GA }
COUNTY OF Cobb }

ACKNOWLEDGMENT

This instrument was acknowledged before me on the 9th day of October,
2008 by Emerson Hicks Mizell, as Tenant in Common.

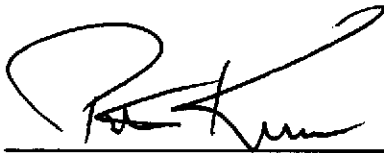
Desiree D Davis
Notary Public in and for the State of Georgia



Executed on the date first written above.

LESSOR/S:

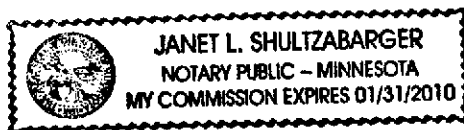
**AEI Fund Management XVII, Inc., a Minnesota corporation,
Tenant in Common.**

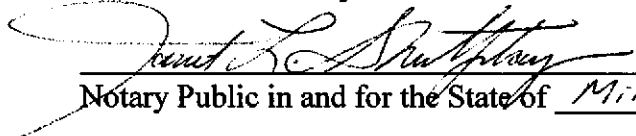
Signature: 
Patrick Keene, Chief Financial Officer

STATE OF MINNESOTA }
COUNTY OF RAMSEY }

ACKNOWLEDGMENT

The foregoing instrument was acknowledged before me the 7th day of ^{November}~~October~~, 2008, by Patrick Keene, the Chief Financial Officer of AEI Fund Management XVII, Inc., a Minnesota corporation, Tenant in Common, on behalf of said corporation.

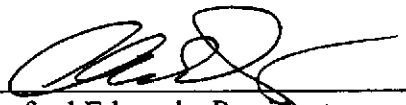



Notary Public in and for the State of Minnesota

LESSEE:

VARGAS ENERGY, LTD.

By Plover Production Company, LLC, its sole General Partner

By: 
Crawford Edwards, President

STATE OF TEXAS }
 }
COUNTY OF TARRANT }

ACKNOWLEDGMENT

This instrument was acknowledged before me on the 5th day of December, 2008 by Crawford H. Edwards, as President of Plover Production Company, LLC, sole general partner, on behalf of said corporation. of Vargas Energy, Ltd. on behalf of the partnership.

Notary Public in and for the State of Texas



